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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02
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P R 042320Z FEB 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 2356
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E.O. 11652: N/A
TAGS: ENRG, PGOV, PDEV, SENV, CA
SUBJECT: CANADIAN REACTIONS TO JUDGE LITT'S RECOMMENDATION FAVORING ARCTIC GAS PROJECT

REF: STATE 22737

1. SUMMARY. REACTIONS IN CANADA TO JUDGE LITT'S STRONG ENDORSEMENT OF THE ARCTIC GAS PROJECT HAVE, SO FAR, FOLLOWED EXPECTED DIRECTION. ARCTIC GAS CONSORTIUM EXECUTIVES AND GAS PRODUCERS NOW EXPLORING MACKENZIE DELTA ARE PLEASED BY DECISION. PROJECT SUPPORTERS CONTINUE TO WORRY, HOWEVER, THAT THE ARCTIC GAS PROJECT WILL NOT BE APPROVED BY GOC. BOB BLAIR, LEADER AND SPOKESMAN FOR THE COMPETING ALCAN PROJECT CONSORTIUM, WAS PREDICTABLY CRITICAL, ACCUSING THE FPC OF PRESSURE PLAY AGAINST THE CANADIAN GOVERNMENT. GOC, SPEAKING THROUGH ENERGY, MINES AND RESOURCES (EMR) MINISTER ALASTAIR GILLESPIE REITEREATED NEUTRAL STANCE. GILLESPIE SAID THAT GOC HAS NOT MADE ANY DECISION AND IS AWAITING REPORT BY NATIONAL ENERGY BOARD (NEB) AND JUDGE BERGER. ONE SENIOR EMR OFFICIAL PRIVATELY
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EXPRESSED VIEW THAT LITT'S RECOMMENDATION SEEMS TO BE BIASED AND DOES NOT GIVE ADEQUATE CONSIDERATION TO ALCAN OR EL PASO PROJECTS. EMBASSY AND CONGEN CLAGARY HAVE SO FAR SPOTTED NO EDITORIAL COMMENT IN PRESS. END SUMMARY.

2. PRESS COVERAGE - A READING OF OTTAWA, TORONTO,

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MONTREAL AND CLAGARY PRESS, AS WELL AS PRIVATE COMMENTS BY GOVERNMENT OFFICIALS AND INDUSTRY REPRESENTATIVES IN OTTAWA AND CALGARY INDICATES THAT CANADIAN REACTION TO JUDGE LITT'S RECOMMENDATION OF THE ARCTIC GAS PROJECT SHOWS NO CHANGE IN PREVIOUSLY ENUNCIATED POSITIONS OF MAJOR ACTORS IN PIPELINE QUESTION. PRESS COVERAGE OF JUDGE LITT'S REPORT WAS ESSENTIALLY ACCURATE AND NEUTRAL IN ITS APPROACH. A GOOD PART OF THE COVERAGE (DATELINED WASHINGTON) WAS DEVOTED TO REACTIONS IN US WHERE OPPOSITION FROM THE STATE OF ALASKA AND COALITION SUPPORTING EL PASO PROJECT WAS NOTED. SO FAR, NEITHER EMBASSY NOR CONGEN CALGARY HAS SEEN ANY EDITORIAL COMMENT.

3. ARCTIC GAS AND PRODUCER REACTION - A CANADIAN PRESS NEWS ITEM DATELINED CALGARY QUOTED IMPERIAL OIL OFFICIALS AS SAYING THAT THE ARCTIC GAS PROJECT OFFERS OPTIMUM TRANSPORTATION EFFICIENCY AND LOWEST COST TO CANADIANS. HE SAID THE ARCTIC GAS LINE HAS A BETTER THAN 50-50 CHANCE OF BEING BUILT, BUT IF IT IS NOT, THERE IS A SUBSTANTIAL POSSIBILITY THAT NO PIPELINE WOULD EVER BE BUILT. EXPLORATION WOULD THEREFORE TAIL OFF AND "WE WOULD BE LEFT WITH FIVE TO SEVEN TRILLION CUBIC FEET OF GAS AND NO WAY TO GET IT TO MARKET." PRESS NOTED THAT ARCTIC GAS PRESIDENT VERN HORTE WAS VERY PLEASED BY JUDGE LITT'S RECOMMENDATION. ARCTIC GAS'S OTTAWA REPRESENTATIVE TOLD EMBASSY HE WAS ESPECIALLY PLEASED AT WAY IN WHICH LITT "HAD EFFECTIVELY DESTROYED ALCAN AS AN OPTION."

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4. COMPETITION - QUOTED IN A CANADIAN DOW JONES NEWS ITEM, BOB BLAIR, PRESIDENT OF FOOT HILLS PIPE LINES LT. OF CALGARY, A MEMBER OF THE ALCAN PIPELINE CONSORTIUM, SAID THAT THE REPORT BY JUDGE LITT " SOUNDS LIKE MORE PRESSURE PLAY DEMANDING CANADA TO COME UP WITH WHAT THE FPC STAFF WANTS MOST AND RIGHT NOW." HOWEVER, HE SAID THE "EXTREME US POSITION MAY SIGNAL THE START OF MORE REASONABLE BARGAINING." COMMENT BY CONSUL GENERAL CALGARY: BLAIR'S REMARKS APPEAR TO BE HIS OPENING POSITION IN POSSIBLE BARGAINING WITH ARCTIC GAS CONSORTIUM TO SECURE PARTICIPATION OF ALBERTA GAS TRUNKLINE AND FOOT HILLS IN CONSTRUCTION OF THE WESTERN LEG OF ARCTIC GAS PROJECT.

5. GOC REACTION - RESPONDING TO QUESTION IN HOUSE OF COMMONS, EMR MINISTER GILLESPIE SAID THAT JUDGE LITT'S RECOMMENDATION WOULD NOT AFFECT OTTAWA'S ATTITUDE REGARDING ALTERNATIVE PROJECT PROPOSALS. HE SAID GOC HAS NOT MADE ANY DECISION AND THAT DOING SO WOULD BE

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PREMATURE WHILE THE NEB IS STILL CONDUCTING HEARINGS INTO
APPLICATIONS TO BUILD A NORTHERN GAS PIPELINE. HOWEVER,
ONE EMR OFFICIAL RESPONSIBLE FOR EXPLORATION AND DEVELOPMENT
POLICY TOLD EMBOFF THAT MANY OF HIS COLLEAGUES IN EMR
ARE "A LITTLE NONPLUSSED AT THE BLASE MANNER IN WHICH
JUDGE LITT DISMISSED THE OTHER TWO COMPETING PROJECTS"
AND FAILED TO GIVE ADEQUATE ATTENTION TO THE ECONOMIC,
ENVIRONMENTAL AND SOCIAL IMPACT ON CANADA.

6. ABOVE BASED ON PRELIMINARY REACTIONS TO PRESS COVERAGE
AND SUMMARY STATEMENT OF LITT'S REPORT. EMBASSY WILL
SEEK MORE DETAILED, CONSIDERED VIEW FROM GOC OFFICIALS
AFTER THEY HAVE HAD TIME TO REVIEW FULL REPORT.
ENDERS

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